

GARDNER COMMUNITY  
WATER ASSOCIATION, INC  
GARDNER, LOUISIANA  
SEPTEMBER 30, 2012 and 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 01 2013

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Gardner Community Water Association, Inc

We have audited the accompanying statement of financial position of Gardner Community Water Association, Inc (a nonprofit organization) as of September 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Gardner Community Water Association, Inc's September 30, 2011 financial statements and, in our report dated November 8, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. *An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gardner Community Water Association, Inc as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Adler & Pias, LLC*  
Adler and Pias, LLC

November 13, 2012

**GARDNER COMMUNITY WATER ASSOCIATION, INC.**  
**GARDNER, LOUISIANA**  
**STATEMENT OF FINANCIAL POSITION WITH SUMMARIZED FINANCIAL**  
**INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**ASSETS**

Current Assets	2012	2011
Cash and Cash Equivalents	396,184	331,626
Accounts Receivable - Members	56,294	51,756
Total Current Assets	452,478	383,382
 Cash - Reserve Funds	 167,228	 128,836
 Property, Plant and Equipment	 2,338,279	 2,443,225
 Other Assets		
Utility Deposits	205	205
 <b>TOTAL ASSETS</b>	 <u><u>2,958,190</u></u>	 <u><u>2,955,648</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable	4,497	-0-
Accrued Interest Payable	10,738	11,381
Accrued Payroll Taxes and Withholding	3,733	3,725
Member Deposits	7,543	7,243
Current Maturities of Long Term Debt	36,000	40,060
Total Current Liabilities	62,511	62,409
 Long Term Debt	 864,762	 891,962
 Total Liabilities	 <u>927,273</u>	 <u>954,371</u>
 Net Assets		
Unrestricted	2,030,917	2,001,277
Temporarily Restricted	-0-	-0-
Permanently Restricted	-0-	-0-
Total Net Assets	<u>2,030,917</u>	<u>2,001,277</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>2,958,190</u></u>	 <u><u>2,955,648</u></u>

The accompanying notes are an integral part of these financial statements

**GARDNER COMMUNITY WATER ASSOCIATION, INC.**  
**GARDNER, LOUISIANA**  
**STATEMENT OF ACTIVITIES WITH SUMMARIZED FINANCIAL**  
**INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b>OPERATING REVENUE:</b>	2012	2011
Water Sales	506,640	567,387
Meter Installation	5,450	2,943
Service Charge and Reconnect Fee	6,013	5,329
Membership Fees	2,700	2,550
<b>Total Operating Revenue</b>	<b>520,803</b>	<b>578,209</b>
<b>OPERATING EXPENSES:</b>		
Depreciation	150,440	112,846
Interest	30,726	31,171
Wages	136,110	134,759
Utilities	43,621	34,642
Repairs and Maintenance	30,287	39,202
Supplies	30,181	36,267
Insurance	26,929	27,628
Legal and Audit	7,000	6,750
Mileage	837	931
Office Expense	3,007	4,103
Bad Debts	1,458	1,276
Payroll Taxes	10,955	11,195
Pension Expense	3,046	3,788
Telephone	4,831	4,550
Postage	6,755	6,160
Dues and Subscriptions	275	275
Misc	5,583	5,632
Bank Charges	2,198	2,012
<b>Total Operating Expenses</b>	<b>494,239</b>	<b>463,187</b>
<b>INCOME FROM OPERATIONS</b>	<b>26,564</b>	<b>115,022</b>
<b>NON OPERATING INCOME:</b>		
Interest Income	162	159
Other Income	2,914	211,973
<b>Total Non Operating Income</b>	<b>3,076</b>	<b>212,132</b>
<b>CHANGE IN NET ASSETS</b>	<b>29,640</b>	<b>327,153</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,001,277</b>	<b>1,674,124</b>
<b>NET ASSETS, END OF YEAR</b>	<b>2,030,917</b>	<b>2,001,277</b>

The accompanying notes are an integral part of these financial statements

**GARDNER COMMUNITY WATER ASSOCIATION, INC.**  
**GARDNER, LOUISIANA**  
**STATEMENT OF CASH FLOWS WITH SUMMARIZED FINANCIAL**  
**INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	29,640	327,153
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations		
Depreciation	150,440	112,846
Change in Assets and Liabilities		
Accounts Receivable - Members	(4,538)	5,041
Accounts Payable	4,497	-0-
Accrued Interest Payable	(643)	8,644
Accrued Payroll Taxes and Withholding	8	460
Member Deposits	300	(502)
Total Adjustments	<u>150,064</u>	<u>126,489</u>
Net Cash Provided by Operating Activities	179,704	453,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital Expenditures	(45,494)	(868,444)
Cash - Reserve Funds	(38,392)	(86,589)
Net Cash Used by Investing Activities	<u>(83,886)</u>	<u>(955,033)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan Proceeds	6,800	501,805
Repayments of Notes Payable	(38,060)	(52,032)
Net Cash (Used)/ Provided by Financing Activities	<u>(31,260)</u>	<u>449,773</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	64,558	(51,618)
<b>CASH - BEGINNING OF YEAR</b>	331,626	383,244
<b>CASH - END OF YEAR</b>	<u><u>396,184</u></u>	<u><u>331,626</u></u>
<b>Supplemental Disclosure:</b>		
Interest Paid	31,368	22,527

The accompanying notes are an integral part of these financial statements

**GARDNER COMMUNITY WATER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Activities:**

Gardner Community Water Association, Inc. was incorporated on March 31, 1970. Construction of the water system was financed by loans and grants from the Farmers Home Administration (USDA Rural Development Service). The system now serves approximately 1,415 customers.

**Basis of Accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation:**

The water system is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents:**

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

**Property, Plant and Equipment:**

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line and MACRS methods for both financial statements and information reporting. It is the water system's policy to capitalize property and equipment which will benefit the water system for more than one year.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes:**

The water system is exempt from federal income taxes under section 501 (c)(12) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

**Allowance for Doubtful Accounts:**

Management has experienced extremely low bad debts over the past several years, for this reason an allowance for doubtful accounts has not been recorded, but bad debts are charged to operations as they occur.

**Compensated Absences:**

Because of the immateriality of compensated absences, the water system has not attempted to accrue a liability for them.

**GARDNER COMMUNITY WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Summarized Financial Information:**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

<b>Note 2 <u>SUMMARY OF CASH:</u></b>	<u>09/30/2012</u>	<u>09/30/2011</u>
<u>Current</u>		
Petty Cash	100	100
Revenue Fund	338,551	274,051
Revenue Note Fund	57,533	57,475
Total	<u>396,184</u>	<u>331,626</u>

<u>Reserve</u>		
Depreciation Fund	79,229	55,125
Debt Service Fund	54,257	49,684
Construction Account	33,742	24,028
	<u>167,228</u>	<u>128,836</u>

All funds are on deposit in an FDIC insured institution.

<b>Note 3 <u>ACCOUNTS RECEIVABLE:</u></b>	<u>09/30/2012</u>	<u>09/30/2011</u>
Current	52,495	50,386
Over 31 days	3,799	1,370
Total	<u>56,294</u>	<u>51,756</u>

The water system sold 90,080,000 and 98,818,000 gallons of water for the fiscal years ended September 30, 2012 and 2011 respectively.

<b>Note 4 <u>FIXED ASSETS:</u></b>	<u>09/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>09/30/2012</u>
Land	24,568	-0-	-0-	24,568
Office Building	127,403	-0-	-0-	127,403
Water System	3,122,234	20,739	-0-	3,142,973
Office Equipment	24,684	543	-0-	25,227
Truck and Equipment	288,040	24,212	-0-	312,252
Total Cost	3,586,929	45,494	-0-	3,632,423
Accumulated Depreciation	(1,143,703)	(150,440)	-0-	(1,294,143)
Book Value	<u>2,443,225</u>	<u>(104,946)</u>	<u>-0-</u>	<u>2,338,279</u>

**Note 5 PENSION PLAN AND HEALTH INSURANCE:**

The water system has established a Simple IRA plan covering all full time employees. The Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Service Code. The water system matches employee contributions up to a maximum of 3% annually. The water system also provides health insurance for full time employees.



**GARDNER COMMUNITY WATER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 6 NOTES PAYABLE:**

Loan No / Date Originated	Original Loan	Balance 09/30/12	Balance 09/30/11	Term and Rate
N/A				1 year
02/25/2011	5,001	-0-	2,530	4 39%
N/A				1 year
02/25/2011	5,001	-0-	2,530	4 39%
1079010-1				20 years
12/22/2009	933,762	900,762	926,962	3 45%
Total		<u>900,762</u>	<u>932,022</u>	

**Note 7 LONG-TERM DEBT:**

From 2009-2012 the water system received \$1,333,945 from the Louisiana Department of Health and Hospitals (DHH) as a pass through from the American Recovery and Reinvestment Act (ARRA) Of this amount \$400,184 is principal forgiveness, Series 2009A and \$933,762 is a note payable over 20 years at 3 45%, Series 2009B note The proceeds were used for a new well and elevated tank

The following is a summary of debt transactions for the years ended

Series 2009B Loan	9/30/11	9/30/12
Beginning Balance	435,159	926,962
Additions	491,803	6,800
Reductions	-0-	(33,000)
Total	<u>926,962</u>	<u>900,762</u>

**Note 8 RESERVE REQUIREMENTS:**

Under the terms of the DHH Drinking Water Revolving Loan Fund, the water system is required to maintain cash reserve funds Required reserves as follows

DHH	Loan 1079010-1	2012	2011
Debt Service Reserve Fund		32,000	32,000
Debt Service Fund		68,223	38,548
Depreciation and Contingency Fund		25,000	25,000
Total		<u>125,223</u>	<u>95,548</u>

All Reserve Requirements have been met

**Note 9 SINKING FUND REQUIREMENTS FOR SERIES 2009B LOAN:**

The amounts required to amortize the DHH Series 2009B loan are as follows

September 30	Principal	Interest	Total
2013	36,000	32,223	68,223
2014	38,000	30,947	68,947
2015	39,000	29,618	68,618
2016	40,000	28,256	68,256
2017	42,000	26,841	68,841

**GARDNER COMMUNITY WATER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 10 BOARD OF DIRECTORS:**

	<u>Office</u>	<u>Term</u>
Harlis Bass P O Box 7852 Alexandria, LA 71306	President	2011-2013
Robbie Long 226 St Clair Road Boyce, LA 71409	Vice Pres	2011-2013
Paula Chandler 410 McDaniel Road Boyce, LA 71409	Director	2010-2012
Evert Handy 17 Sugarmill Road Boyce, LA 71409	Director	2012-2014
Jason Whatley 3684 Hwy 121 Boyce, LA 71409	Director	2012
Scott Emery 78 Treasure Trail Boyce, LA 71409	Director	2012-2014

Lynda Winegeart is the system's office manager and also serves as the Board's Secretary/Treasurer. The office phone number is (318)793-4568.

**Note 11 MEMBERSHIP:**

A nonrefundable membership of \$50.00 is charged to property owners and there is a \$75.00 refundable deposit collected from renter's.

**Note 12 WATER LINE RIGHT OF WAYS:**

The water system rents water line right-of-ways from the U.S. Forestry Service.

**Note 13 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK:**

The water system maintains cash accounts at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances were \$313,311 and \$210,363, at September 30, 2012 and 2011, respectively.

**Note 14 EVALUATION OF SUBSEQUENT EVENTS:**

The water system has evaluated subsequent events through November 13, 2012, the date which the financial statements were available to be issued.

**GARDNER COMMUNITY WATER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 15 WATER RATE SCHEDULES :**

Standard Meter

0-2,000 gallons	\$14 50
Each additional thousand gallons	\$4 50

1" meter

0-4,000 gallons	\$23 50
Each additional thousand gallons	\$4 50

2" meter

0-6,000 gallons	\$32 50
Each additional thousand gallons	\$4 50

**Note 16 INSURANCE COVERAGE:**

<u>Company</u>	<u>Expiration</u>	<u>Coverage</u>	<u>Amount</u>
EMC Property & Casualty Insurance Company	12/14/2012	Property	\$1,950,195
		General Liability	
		Each Occurrence	\$1,000,000
		General Aggregate	\$2,000,000
		Fire Damage	\$100,000
LWCC	09/29/2013	Medical Expenses	\$5,000
		Employee Dishonesty	\$50,000
		Equipment	\$59,780
		Director's & Officers	\$1,000,000
		Workman's Compensation	
	12/14/2012	Each Accident	\$100,000
		Policy Limit	\$500,000
		Each Employee	\$100,000
		Business Auto	
		Liability	\$1,000,000
		Uninsured Motorist	\$1,000,000

Insurance is provided through Brown and Brown of Louisiana, Inc